

(Revised September 2000)

**SMALL BUSINESS PROGRAM GUIDE  
FOR GOVERNMENT AND INDUSTRY**

**ARMY MATERIEL COMMAND**



*"It is the declared policy of Congress that the government should aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise, to ensure that a fair proportion of the total purchases and contracts for property and services for the government be placed with small business enterprises, to ensure that a fair proportion of the total sales of government property be made to such enterprises, and to maintain and strengthen the overall economy of the nation."*



**SMALL BUSINESS = SOMETHING BIG**

September 2000

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This handout supersedes all previous handouts

**SMALL BUSINESS = SOMETHING BIG!**

**Vision Statement: "Strengthening Our Nation Through  
Small Business Opportunities"**

## **SMALL BUSINESS PROGRAM GUIDE FOR GOVERNMENT AND INDUSTRY**

**PURPOSE:** This handout is intended to be used by small business specialists to introduce technical, procurement, and industry personnel to the Small Business Program.

### **SMALL BUSINESSES IN THE UNITED STATES**

- o Employ more than 50% of the private workforce
- o Generate more than half of the Nation's Gross Domestic Product
- o Are the principal source of new jobs

### **CONGRESSIONAL PHILOSOPHY**

- o Influence can be exerted by the multi-billion dollar annual federal budget
- o Belief that economic instability can directly affect the nation's defense
- o Preserve and promote free enterprise
- o Maintain a viable industrial base
- o Ensure competitive economic climate
- o Provide opportunities for entrepreneurship and inventiveness

### **SMALL BUSINESSES PLAY IN THE ARMY'S SUSTAINING BASE IN VITAL AREAS**

- o Military Readiness
- o Economic Security
- o Advanced Technology

## **BACKGROUND**

Congress has been fostering fair treatment of small business since 1941 with the establishment of the Select Committee on Small Business. The basis of the Small Business Program is to foster free competition which is basic to the economic well being and security of the Nation. This status cannot be achieved without the potential of small businesses being encouraged and developed. Contracting with these firms strengthens the economy, generates competition, lowers overall costs, creates innovations, provides more jobs than any other sector, and enhances good business practices. - The program is not a "social" program.

The Armed Services Procurement Act of 1947 provided: "a fair proportion of the total purchases and contracts for supplies and services for the Government shall be placed with small business concerns." In 1953 the Small Business Act was passed to stimulate the growth of small business firms and has been periodically amended by executive orders and related provisions of law. The Act specifically states "the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive contracts or subcontracts for property and services for the Government be placed with small business enterprises..."

**The Minority Business Enterprise Program:** came into being as a result of exclusion of individuals on the basis of their gender or race. This program is viewed as an effort to open the doors of education, employment and business development opportunities to qualified individuals who happen to be a member of groups experiencing longstanding discrimination. Executive Order 11625 signed in 1971 outlined essential Government actions for developing a national program to assist minority contractors in becoming self-sufficient and competitive. A significant amount of Department of Defense (DOD), and Department of Army (DA), involvement was directed at the awarding of noncompetitive contracts to the Small Business Administration (SBA) under the Section 8(a) Program and direct awards of competitive government prime contracts to disadvantaged firms. 1978 changes (Public Law 95-507) to the Small Business Act effectively changed the program terminology from "minority business" to "disadvantaged business," and also directed emphasis at subcontracting opportunities for Small and Small Disadvantaged Businesses (SDBs). Public Law 99-661 established a 5% goal for contract awards to SDBs throughout DOD.

**The Women-Owned Small Business Program:** came into being as a result of Executive Order 12138 signed in May 1979 and prescribed a national initiative to assist women entrepreneurs. Within DA, emphasis has been placed in identifying such firms to ensure that they are included on appropriate source lists and afforded the opportunity of competing for our contract/subcontract awards. The Federal Acquisition Streamlining Act (FASA) of 1994 established a 5% government-wide goal for contract and subcontract awards to women-owned small businesses (WOSBs). There are no preferences or set-aside goals to WOSB firms. <http://www.acq.osd.mil/sadbu/wosb/>

**The HUBZone Empowerment Contracting Program:** is included in the Small Business Reauthorization Act of 1997. The Program seeks to encourage economic development in historically underutilized business zones (HUBZones) through establishment of preferences for award of contracts to small businesses located in a HUBZone and that at least 35% of its employees are HUBZone residents. <http://www.sba.gov/hubzone>

**The Historically Black Colleges and Universities, and Minority Institutions (HBCU/MI) Program:** came into being as a result of the National Defense Authorization Act of 1987 and DOD Authorization Act of 1988 which established the objective of awarding 5 percent of its educational contract dollars to HBCU/MI's. [http://www2.BRTRC.COM/AMC/HBCU\\_MI](http://www2.BRTRC.COM/AMC/HBCU_MI)

**Small Business Competitiveness Demonstration Program:** was established by the Small Business Competitiveness Demonstration Act of 1998, Public Law 100-656 (15 USC 644). This program: (1) assesses the ability of small businesses to compete successfully in certain industry categories without competition restricted by the use of small business set-asides, (2) measures the extent to which awards are made to emerging small businesses and to provide for certain acquisitions to be reserved for emerging small business (ESB) participation and (3) expands small business participation in 10 targeted categories through continued use of set-aside procedures.

**Mentor Protege Program:** was established under Section 831 of the National Defense Authorization Act of FY 91. The purpose of the program is to provide incentives for DoD contractors to assist small disadvantaged businesses in enhancing their capabilities to increase participation of such firms in Government and commercial contracts. Qualified organizations employing the severely disabled are also eligible to participate as protg firms. [http://www.acq.osd.mil/sadbu/mentor\\_protg/](http://www.acq.osd.mil/sadbu/mentor_protg/)

## **WHAT ARE THE SMALL BUSINESS CATEGORY DEFINITIONS?**

**Small Business Concern:** is a firm which is independently owned and operated and not dominant in its field of operation. In addition, other criteria such as number of employees or dollar volume of business are applied.

**Small Disadvantaged Business Concern:** is a small business concern which is at least 51 percent owned by one or more socially and economically disadvantaged individual(s); or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more socially and economically disadvantaged individual(s) and whose management and daily business operations are controlled by one or more such individual(s). Requires certification from SBA. <http://www.sba.gov>

### **SB Category Definitions Continued:**

**Socially Disadvantaged** describes an individual who has been subjected to racial or ethnic prejudice or cultural bias because of his or her identity as a member of a group without regard to their individual qualities. Additionally, to qualify as a small disadvantaged business, such individuals must also be economically disadvantaged.

**Economically Disadvantaged** describes a socially disadvantaged individual whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

**HUBZone Concern** is a small business located in an historically underutilized business zone (HUBZone) that is owned and controlled by one or more U.S. Citizens and at least 35% of its employees reside in a HUBZone.

**Women-Owned Business Concern** is a business that is at least 51 percent owned, controlled, and operated by a woman or women.

**Historically Black Colleges and Universities and Minority Institutions (HBCU/MI)** is an institution determined by the Secretary of Education to meet the requirements of 34 CFR Section 608.2. The MI is an institution meeting the requirements of the Higher Education Act of 1965.

### **PROGRAM SPECIFICS**

**Small Business Set-Aside Program:** consists of an acquisition in which only small business firms can participate. There should be a reasonable expectation that offers will be received from two or more small firms able to successfully perform the requirement at a fair market price. This set-aside method can require the entire buy to be set-aside for small business participation or may require part of the buy to be reserved for small business. Under a "partial" set-aside, the remainder of the requirement is open for competition.

**Small Business Administration 8(a) Program:** consists of the Government awarding prime contracts to firms owned by socially and economically disadvantaged owners whose firm is certified in the Small Business Administration's 8(a) Program. The procurement method is very flexible and allows recommendation of a specific contractor for procurements of up to \$3 million for services and \$5 million for manufacturing requirements (considered sole source 8(a) awards). This contracting method also allows for competitive 8(a) awards (exceeding the \$3 million and \$5 million dollar threshold).

**HUBZone Program:** consists of an acquisition in which only SBA certified HUBZone small business firms can participate. Consideration is first given to a competitive HUBZone acquisition

when there is reason to believe that two or more HUBZone small businesses exist to provide the product/service. A sole source HUBZone acquisition is considered when only one HUBZone small business firm is known. Award must be made at a fair market price.

**Very Small Business Pilot Program:** consists of an acquisition with an estimated value exceeding \$2,500 but not greater than \$50,000. It is for supplies where there is reasonable expectation of obtaining offers from two or more responsible very small business concerns that are competitive in terms of market prices, quality and delivery. It is required that the firm's headquarters be within the geographical areas serviced by the designated SBA district. For services, the contract must be performed within the geographical areas serviced by a designated SBA district.

**Historically Black Colleges and Universities/Minority Institutions Program:** evolved through a series of Executive orders, legislation, and regulations and establishes a minimum goal to award 5% of contracts and subcontracts to SDB firms and HBCU/MIs. The program was designated to provide a structured effort to help HBCU/MIs access federally funded programs. Focus for awards and overall involvement of these categories applies to grants, and contract awards for research and development, studies, ROTC, fellowships, scholarships, instrumentation, and education and training.

**Subcontracting Program:** requires, by law, that large firms receiving a prime contract of \$500,000 or more (\$1 million for construction contracts) must include subcontracting goals and a plan to the Procuring Contracting Officer for meeting those goals.

**Certificate of Competency Program:** provides an appeal procedure for small businesses that face loss of government contracts because the Contracting Officer questions their capability of meeting contract performance.

**Mentor Protg Program:** procedures provide incentives for DoD contractors to assist small disadvantaged businesses in enhancing their capabilities and to increase participation of such firms in government and commercial contacts. The DoD SADB Office approves contractors as mentor firms, approves mentor-protg agreements and forwards approved mentor-protg agreements to the contracting officer when program funding is available through DoD Program Manager.

**Small Business Innovation Research Program:** designed to stimulate small business technological innovation, use small firms to meet federal R&D needs and increase private sector commercialization. The program has three phases: (I) solicits R&D proposals from small firms on specific needs, (II) funded to further develop proposed ideas that are selected, and (III) conducted to commercialize the ideas developed in Phases I and II.

**Small Business Competitiveness Demonstration Program:** consists of two major components: unrestricted competition in four designated industry groups (DIGs) and an enhanced small business participation in 10 agency target industry categories (TICs). Solicitations in the four DIG groups having an anticipated dollar value greater than \$25,000.00 shall not be considered for small business set-aside. Agencies may reinstate the use of small business set-asides as necessary to meet their assigned goals, but only within an organizational unit that failed to meet the small business participation goal. Acquisitions in the four DIG groups may allow the use of an Emerging Small Business Set-Aside. Awards are made in the TIC groups is reported and monitored.

### **WHAT IS THE SET-ASIDE PROGRAM ORDER OF PRECEDENCE?**

After the mandatory sources (FPI, NIB, etc.) have been reviewed and considered not appropriate for the acquisition, you should then review the acquisition for potential small business award. A small business set-aside buy should be considered in the following order:

- Before deciding to set aside an acquisition in accordance with FAR/DFARS/AFARS subpart 19.5 or 19.13, the contracting officer should review the acquisition for offering under the 8(a) Program (If the acquisition is offered to the SBA, SBA regulations (13 CFR 126.607(b) give first priority to HUBZone 8(a) concerns). (FAR 19.800(e))

- Competitive HUBZone Set-Aside (FAR 19.1305(a))

- Sole Source HUBZone Set-Aside (FAR 19.1305.(a))

- Total Small Business Set-Aside (FAR 19.502-2)

- Partial Small Business Set-Aside (FAR 19.502-3(a))

- Full and Open Competition (FAR 6.201)

(AS ALWAYS, IT IS RECOMMENDED THAT YOU WORK CLOSELY WITH YOUR SBA REPRESENTATIVE)

### **WHO ARE THE PLAYERS?**

#### **Role of the Office of Small and Disadvantaged Business Utilization (DOD/DA).**

- Responsible for implementation and execution of Small Business Programs
- Established by Section 221(k) of Public Law 95-507



- Authority provided by statute
- Directed by DOD Directive 4205.1 "DOD Small Business and Small Disadvantaged Business Utilization Program," dated Sep 96

### **Commanding General or Director of Major Subordinate Command**

- Responsible for effective implementation of Small Business Program
- Responsible for Small Business Program goal(s) achievement
- Responsible for ensuring contracting and technical personnel take proactive actions to increase small business participation at their command
- SB/SDB goal attainment part of their performance appraisals
- Appoint small business specialist(s) for their activity and provide optimum staff and resources

### **Role of the Small Business Specialist.**

- Principal Advisor to the Commander regarding small business issues
- Assists all businesses on Government contracting matters, including changes to procurement system
- Advise and assist contracting, technical and program managers to increase use of Small Business Program participants
- Advocate for small business firms
- Monitor small business performance (goals)
- Maintain outreach program to locate and develop competent small business firms
- Liaison with the Small Business Administration (SBA)

### **Role of the Program Manager /Technical Personnel.**

- Actively support Small Business Program
- Publicize opportunities to increase Small Business Program awards
- Provide for nonrestrictive specifications and standards whenever possible
- Provide a point of contact to the small business specialist to assist in identifying Small Business Program opportunities

### **Role of the Contracting Officer.**

- Coordinate small business opportunities with technical and IPT personnel and small business specialist during acquisition planning stage

- Establish reasonable and clearly understandable solicitation terms and conditions
- Select contract types and terms/conditions which reasonably allocate technical cost or schedule risks to the contractor
- Provide responses to inquiries from small businesses to encourage competition
- Assist small business firms in understanding contractual terms and conditions
- Increase awards to small businesses and HBCU/MIs
- Provide appropriate acquisition requirements to the Small Business Administration (SBA) Procurement Center Representative
- Small Business Program promotion part of their performance appraisals

#### **Role of the SBA Procurement Center Representative (PCR).**

- Small Business Administration (SBA) position, independent Federal Agency
- Review proposed acquisitions for possible set-aside
- Recommend small business sources to the Contracting Officer
- Possesses appeal authority

#### **Role of the SBA Breakout Procurement Center Representative.**

- Small Business Administration (SBA) position, independent Federal Agency
- Breakout items in assemblies for competition
- Possesses appeal authority

### **WHAT ARE THE SMALL BUSINESS GOALS ?**

The President is required to annually establish Government-wide goals for procurement contracts awarded to small businesses (Section 644(g) of 15 U.S.C. ). The Small and Disadvantaged Business Utilization Office, Office of Secretary of Defense, negotiates DOD goals with the Small Business Administration and then develops and disseminates the annual small business goals for the fiscal year. Goal utilization assists to assure small business receives a fair proportion of DOD awards. Each major buying activity within the U.S. Army Materiel Command is assigned Small Business Goals to achieve during the given fiscal year. Achievement of these goals are part of the Commander/Director performance rating. The goals relate to the net obligations of the individual contracting office.

**Small Business Goal:** The goal is assigned as a percentage of a base comprised of the total business dollars awarded to all domestic business firms, excluding awards for Foreign Military Sales; for work outside the Continental United States; awards to Higher Educational Institutions

and Non-Profit Organizations; and Intergovernmental Awards. The Small Business Reauthorization Act of 1997 increased the overall Government-wide procurement goal for small business from 20% to 23%.

**Small Business Set-Aside Goal:** Using the same base, this category includes only those actions that were awarded as a result of Small Business Set-Aside procurements.

**Small Disadvantaged Business Goal:** The SDB Goal encompasses awards made under the 8(a) Program and direct awards to small disadvantaged business firms, and is a percentage against the total U.S. business base. A 5% goal has been mandated by Congress. (Public Law 99-661)

**HUBZone Goal:** The HUBZone Goal encompasses awards made under a HUBZone competitive or sole source award to a small business. The HUBZone Act sets the government contracting goal for HUBZone small business concerns initially at 1% of all federal prime contracts with a gradual increase to 3% by the year 2003. (SB Reauthorization Act of 1997)

**Woman-Owned, Small Business Goal:** This is a compilation of awards to woman-owned small business against the total U.S. business base. For this category, there is no preference program. A 5% goal has been mandated by Congress for this category. (FASA of 1994)

**Historically Black Colleges and Universities/Minority Institutions Goal:** The HBCU/MI goal is a percentage of awards to Higher Educational Institutions (HEIs). A 5% goal is established for DoD under this category. (PL 99-661, National Defense Authorization Act of 1987 and DOD Authorization Act of 1988)

**Research and Development Awards to Small Business:** The base used to set this goal is a percentage of those awards in the total U.S. business base that are only for research and development projects.

**Note:** Small Business Subcontracting goals are assigned to those activities that retain contract administration functions for awards to large business firms that require subcontracting plans. For the subcontracting goals, the base used is a percentage of total subcontracted dollars. The following goals are assigned:

**Small Business Subcontracting Goal:** The total subcontracted dollars awarded to small business firms. The Government-wide target goal for this category is 23%.

**Small Disadvantaged Business Subcontracting Goal:** The total subcontracted dollars awarded to small disadvantaged business firms. A 5% goal has been mandated by Congress. (PL 99-661)

**Woman-Owned, Small Business Subcontracting Goal:** The total subcontracted dollars awarded to woman-owned, small business firms. Congress has also mandated a 5% goal for this category. (FASA of 1994)

**HUBZone Subcontract Goal:** The total subcontracted dollars awarded to HUBZone, small business firms. This goal will increase yearly until 2003 when a 3% goal will be required. (SB Reauthorization Act of 1997)

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